

BULLETIN

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Cryptoassets in Turkey

What is Cryptoassets?

There are many different types of cryptoassets. However, cryptocurrencies is the most known type of cryptoassets. The well-known Bitcoin, Ripple, Litecoin and Ethereum...etc., are all cryptocurrencies. But what exactly is it?

Crypto assets are a digital representation of value that you can transfer, store, or trade electronically. This also includes non-fungible tokens (NFTs), and cryptocurrency.

The first part of the word, 'crypto', means 'hidden' or 'secret' reflecting the secure technology used to record who owns what, and for making payments between users.

The second part of the word, 'currency,' tells us the reason cryptocurrencies were designed in the first place: a type of electronic money.

They may run on their own blockchain or use an existing platform, such as Ethereum. A blockchain is a form of secure digital ledger used to store a record of crypto transactions.

Crypto generally operates independently of a central bank, authority, or government. There is no 'until now' central bank or government to manage the system or intervene if something goes wrong.

Crypto-asset presence in Turkey:

Turkey is home to one of the world's highest users of the Internet and social media. Unsurprisingly, credit card usage rates in Turkey are some of the highest in the World.

Turkish adoption of crypto assets is amongst one of the highest in the world

Today cryptocurrencies are generally held as investments by people who expect their value to rise.

Is Cryptoasset legal in Turkey?

Yes, cryptoassets are legal in Turkey. It is legitimate for retail investors to buy, sell and own crypto. Crypto assets can be purchased through exchanges, peer-to-peer (person to person) and via Bitcoin/crypto ATMs.

However, as a payment instrument, cryptocurrencies were initially governed in Turkey on April 16, 2021 by “The Regulation on Prohibiting Payments with Crypto-Assets”. By this regulation, the Central Bank of the Republic of Turkey prohibits the use of crypto assets as a payment instrument in transactions.

According to this regulation, **crypto assets means:** intangible assets that are created virtually using distributed ledger technology or similar technology and distributed over digital networks, but that are not considered fiat money, legal money, electronic money, payment instruments, securities or other capital market instruments.

The Regulation states the following:

- Crypto assets cannot be used directly or indirectly for payments.
- No service can be provided for the direct or indirect use of crypto assets in payments.
- Payment service providers cannot develop business models in which crypto assets are used directly or indirectly in payment services, issuing electronic money, and cannot provide any services related to such business models.
- Payment and electronic money institutions cannot provide intermediary services to platforms that provide trading, deposit, transfer or issue services regarding crypto assets or fund transfers to be made from these platforms.

However, if cryptoassets considered a capital market instrument in the future, we need to know that any unauthorized capital market activity is a crime. It is regulated in the second paragraph of Article 109 of the Capital Markets Law No. 6362 (“**CML**”), and the sentence for this crime is imprisonment from two to five years.

AML/CFT (Anti Money Laundering/ Combating the financing of terrorism) and Crypto-Asset in Turkey.

The Turkish law No. 4208 regulates the money laundering related to number of crimes, such as terrorist activities, illicit drugs-related activities, antiquities and gun smuggling, forgery, and human and organ trafficking.

The law on the Prevention of Laundering Proceeds of Crime numbered 5549 imposed a number of stipulations on obligated entities. According to the before mentioned law, the AML requirements for crypto entities in Turkey include;

- Client Id.
- Suspicious Transaction Reports (STR)
- Employee Training and Risk Management Procedures
- Audit by MASAK
- Documentation Retention.

All Suspicious Transaction Reports (STRs) must be submitted to MASAK. Documents from all reporting requirements, customer Id documents and other related materials to compliance must be kept by crypto asset trading firms for a period of 8 years after the last transaction of the counterparty/client.

Since May 1st, 2021, it obligatory for every normal or legal person dealing in crypto assets in Turkey to follow Anti-Money Laundering and Combatting the Financing of Terrorism rules by presidential decree, and thus taking immediate effect.

The decree makes it clear that entities providing cryptoassets related services are to be covered by AML/CFT regulations in the jurisdictions along with other obligated entities such as financial institutions and payment providers etc.

What is Stablecoins?

Stablecoins are cryptocurrencies the value of which is pegged, or tied, to that of another currency (USD, ERU, RL...) or exchange-traded commodities (such as precious metals or industrial metals).

According to Article (5 /f.9) of the Regulation on Payment Services and Electronic Money Issuance and Payment Service Providers, published in the Official Gazette dated 01.12.2021 and numbered 31376, Cryptoassets issued based on legal currencies, only in exchange for a legal currency, accepted by institutions other than the issuing institution. Therefore, a cryptocurrency issued in exchange of a legal currency is accepted as electronic money, which means accepted as a mean of payment.

Therefore, we could separate Stablecoins from other types of cryptocurrencies, and exclude it from the prohibition of payments.

Is there a tax on Crypto-Asset in Turkey?

Until now, cryptoassets are not yet particularly taxed. Although this is soon set to change as the government is in the process of drafting laws for that purpose.

As there are no tax regulations applicable to crypto assets in Turkey, exchanges and custodian businesses that deal in crypto must follow the regular tax of tax for businesses.

Is Crypto Mining Legal in Turkey?

There is no specific regulation prohibiting cryptoassets mining in Turkey.